



Office of City Auditor Memorandum

DATE: December 21, 2000

TO: Shelly Yapp, Seattle Center Redevelopment Director

FROM: Susan Cohen, City Auditor

RE: Seattle Center New Performance Hall: Quality Assurance Review #1

This memo documents and completes the Office of City Auditor's (OCA) Quality Assurance Review #1 (QAR) of the New Performance Hall at the Seattle Center. The role of the Office of City Auditor is to provide independent and objective perspectives on City activities. We appreciate Seattle Center's receptiveness to our suggestions and your implementation of them when appropriate.

Objective of QAR

OCA's objective in conducting quality assurance reviews of the City's construction projects is to assist by identifying issues, processes and procedures that pose a risk to the City in meeting its objective – to complete projects on time and within budget. When we identify areas of potential risk, we also suggest solutions to mitigate the possible impacts of that risk.

OCA reviews project processes and procedures for managing scope, schedule and budget. We also review change control processes, document management systems, General Contractor Construction Manager (GCCM) and Consultant contract administration requirements, and internal and external communication processes. However, our primary focus is to gauge whether the City's projects are at risk to exceed the planned budget and schedule.

We hope to derive additional benefits from conducting QARs including encouraging the City to utilize a "lessons learned" approach for the management of its construction projects. This approach involves early-identification of risk, and the development of a plan to either allocate or mitigate that risk. By using techniques from successful projects, and understanding what happened on unsuccessful projects, the City can become more proactive in its management. Reducing project risk factors at the beginning of a project is key to completing projects "on time and on budget" and as "claims-free" as possible.

In addition, we believe that the City's approach to project management has been generally an individualized, departmental approach rather than that of implementing standard industry practices. Our project reviews are intended to identify and maximize the things the City does well and minimize or eliminate the City's exposure to unnecessary risk.

Background

A portion of the Phase II (Mercer Complex and Theatre District Plans) “Seattle Center 2000” Redevelopment Plan consists of the renovation of, and a substantial addition to, the 1927 Opera House to transform it into a modern, world-class performance venue.

Preliminary planning and design for the New Performance Hall began in 1997, as part of the Mercer Complex Action Plan, and was subsequently revised in 1999 with voter approved public funding for the project. The initial project budget was \$110 million. Due to an infusion of private funding, the current approved development budget for the New Performance Hall portion (including the Mercer Arena temporary venue) has been increased to \$125 million.

The project is currently in the Design Development Phase and is expected to be completed in mid-December 2000. The Construction Documents Phase will reach 25% completion within the first quarter of 2001. At that point, the project team will develop and negotiate the Maximum Allowed Construction Cost (MACC). Construction is scheduled to begin in June 2001 for the temporary venue (Mercer Temporary Venue); early works packages related to the exterior of the New Performance Hall are scheduled to begin in July 2001; main construction on the new building is scheduled to begin on or about December 27, 2001. Substantial completion is scheduled for June 30, 2003.

Scope and Methodology

Details of the scope and methodology for this QAR are submitted as *Attachment 1*.

Action Items

Attachment 2 summarizes the memos and e-mails that comprise the essence of the discussions held between OCA and the Seattle Center Project Management Team (PMT), itemizes the actions that will be taken by the Performance Hall PMT to implement OCA’s recommendations, and identifies actions that will be taken by OCA to help the PMT implement improvements to its current processes.

QAR #2

We anticipate beginning our next round of interviews and document review of the New Performance Hall in January 2001, and issuing QAR #2 in March. We appreciate the PMT’s cooperation during QAR #1. Your team has been receptive to OCA’s suggestions and has demonstrated an eagerness to strengthen current processes and procedures to further ensure the success of the New Performance Hall Project.

ATTACHMENT 1

Scope and Methodology

The OCA QAR team consisted of Susan Cohen, City Auditor; Eileen Norton, Assistant City Auditor; Megumi Sumitani, Research and Evaluation Assistant; and Patti Jones, CDR Consultants, Inc.

OCA conducted an entrance interview with the Seattle Center Redevelopment Director. During the entrance interview we discussed background information about the project, the team members and the design process. Based on the entrance interview discussion, the Seattle Center Project Management Office provided OCA the following project documents:

- a) Roles and Responsibilities Checklist for Alternative Public Works Contracting (SC-05)
- b) Seattle Center Performance Hall Revised Action Plan, December 1999
- c) GCCM Request for Proposals, December 1999 (GCCM-1)
- d) Performance Hall Project Development Manager, Contract for Professional Services, February 16, 2000 through June 2003 (BAR-1)
- e) Loschky Marquardt & Nesholm, Contract for Professional Services, Mercer Complex Action Plan, June 9, 1997, Addenda #1 through 19
- f) Seattle Center Performance Hall Project Coordination Agreement Among the Seattle Center, Seattle Opera, Pacific Northwest Ballet Association, and Seattle Center Foundation, July 28, 2000 (SC-16)
- g) Agreement Between The City of Seattle and the Seattle Center Foundation, May 8, 2000
- h) Seattle Center Project Management
- i) Performance Hall Project Files List (SC-6)
- j) barrientos File Index (SC-7)
- k) RFP Performance Hall Project Development Manager (SC-1)
- l) Charts of Project Management Team Roles (from discussion of Management Structure, February 25, 2000) (SC-8)
- m) Owner's Meeting Agenda
 - i) February 2000 (SC-9)
 - ii) March 11, 2000 (SC-10)
- n) PHELT Meeting Notes
 - i) January 19, 2000 (PHELT-1)
 - ii) February 25, 2000 (PHELT-2)
 - iii) March 22, 2000 (PHELT-3)
 - iv) May 24, 2000 (PHELT-4)

- o) Project Management Team Meeting Notes
 - i) March 16, 2000 (PMT-1)
 - ii) March 23, 2000 (PMT-2)
 - iii) March 30, 2000 (PMT-3)
 - iv) April 6, 2000 (PMT-4)
 - v) April 13, 2000 (PMT-5)
 - vi) April 27, 2000 (PMT-6)
 - vii) May 4, 2000 (PMT-7)
 - viii) May 11, 2000 (PMT-8)
 - ix) May 25, 2000 (PMT-9)
 - x) June 1, 2000 (PMT-10)
 - xi) June 8, 2000 (PMT-11)
 - xii) June 15, 2000 (PMT-12)
 - xiii) June 22, 2000 (PMT-13)
 - xiv) June 29, 2000 (PMT-14)
 - xv) July 20, 2000 (PMT-15)
- p) GCCM Pre-Construction Contract – draft (BAU-1)
- q) Schedules
 - i) Design Development Schedule (LMN) 8/01/00 (SC-11)
 - ii) Design Schedule (LMN) 8/01/00 (SC-12)
 - iii) Design and Construction Schedule 8/01/00 (SC-13)
- r) Budget Reports
 - i) SC PH Project Budget and Expenditure Report 8/2/00 (SC-14)
 - ii) SC PH Budget and Expense Summary (SC-15)

OCA met with Shelly Yapp, Seattle Center Redevelopment Director; Stephanie Van Dyke, Seattle Center Project Manager; Maria Barrientos, Project Development Manager; Neil Erickson, Seattle Center Contract Administration; and Ned Dunn, Seattle Center Capital Budget Manager.

At a meeting on November 1, 2000, Seattle Center Project Management Office and Barrientos, LLC, provided OCA with the following documents:

100%SD Construction Schedule with Early Bid Packages and
Extension 9/25/00 – Preliminary
Zip diskette of Project Development Manager's files

OCA staff made site visits to the offices of Barrientos, LLC, and the Seattle Center Project Management Office to perform document reviews of the project files. The specifics of the site visits and memos are discussed in *Attachment 2* to this memo.

ATTACHMENT 2

Summary of Memos and Meetings

November 6, 2000 Seattle Center Memo – *Subject: Recap of November 1, 2000 Meeting and response to Office of City Auditor (OCA) recommendations.*

OCA made recommendations to the Seattle Center Project Management Team (PMT) to improve management processes and planning in six areas:

1. **Project Schedule and Monthly Status Reports**

OCA's recommendations include:

- using a project schedule that tracks actual to plan for design and construction;
- referencing schedule, budget, or other handout materials in PHELT minutes; and
- inclusion of handouts with hardcopy of minutes in the central file.

In response to OCA's request for current project status and schedule information, PMT provided OCA with a copy of the most recent Project Schedule (preliminary). Subsequent site visits to review project files at barrientos, LLC, office (11/2) and at Seattle Center (11/6) were scheduled and completed.

PMT agreed to: reference handouts in meeting minutes; provide an "Activity Report" at every PHELT meeting; provide notations ("Presented to/Approved by PHELT" with date or "Interim") on monthly design schedules and the official project schedule; and, together with barrientos, review scheduling software alternatives for construction schedule management and document management. Furthermore, barrientos' Project files will maintain hardcopies of all meeting notes with attached handouts, and a sequence of all Interim and Presented to/Approved by PHELT Project schedules.

2. **GCCM Contract Provision**

OCA found common deficiencies during its reviews of the draft GCCM contract for the Performance Hall as well as in the contracts for the Justice Center and the Library. This was brought to the attention of the PMT.

PMT requested OCA comments on the draft contract and/or recommendations of model provisions for PMT consideration before MACC negotiations in 1st quarter 2001.

3. **Project Pricing/MACC Negotiations**

OCA asked to review Baugh's schematic design cost estimate, the Ryder Hunt review, and the budget control/VE (Value Engineering) log. PMT will perform an additional round of pricing/VE at the Design Development drawings phase before finalizing drawings upon which the MACC negotiations will be based. To clarify design intent, PMT is also considering an independent review of the Design Development drawings as well as the quantities and unit prices.

4. **Communications**

OCA advised PMT to treat e-mails as formal correspondence. OCA also suggested that PMT should maintain hard copies of key e-mail that reflect Owner decisions or directions in the Project files.

PMT will draft standard procedures for use on the Project for e-mail and will formalize the Construction Phase Communications Plan and Protocols during 1st quarter 2001. Additionally, PMT requested OCA to provide specific recommendations for key provisions to be included when the Communication Plan is drafted in final form.

5. **Document Management**

OCA suggested that both barrientos and Seattle Center use one file index system for document management. At present, Seattle Center's file system is more fully developed than barrientos'. The PMT acknowledges that the system will require enhancements to meet the Project's needs during construction. Additionally, OCA recommended that PMT establish a separate file category for documents that are "attorney-client privileged", or otherwise exempt under the Public Records Act.

PMT asked OCA to recommend one or more construction document management systems. PMT will complete reviews and final development of the document management system in the 1st quarter of 2001.

6. **Project Manual**

OCA recommended the PMT develop a Project Management Manual.

PMT will provide OCA with a copy of the GCCM Division 1. PMT believes many of the Project policies and procedures for which OCA was unable to find written procedure are already contained in Division 1. PMT will also review the sample Project Manual (Justice Center) provided by OCA and assess its potential use.

December 1, 2000 OCA Memo – Subject: QAR #2 Document Review

Following the November 1, 2000 meeting with PMT, OCA conducted on-site document reviews at barrientos' office (11/2) and at the Seattle Center Project Management Office (11/6). OCA made the following recommendations based on these site visits:

Management Plan

To assist barrientos in the development of the Management Plan, OCA provided a copy of the draft Project Manual for the Justice Center as an example of a management plan that meets OCA expectations. OCA suggests one method of forming a "Project Manual" utilizing existing PMT documents would be to combine elements of the Project Coordinating Agreement (PCA) and the GCCM Contract Division One with the processes and procedures currently being defined and developed by PMT.

Using the copy of the Justice Center Project Manual as their document model, PMT is in the process of developing a separate document that will also include the operational

aspects of the project. PMT anticipates having this document completed on or around January 15, 2000.

Monthly “Project Status Reports”

OCA believes that the PHELT meeting minutes are not adequate to comply with the contract requirements for Monthly Progress Reports. The Monthly Progress Reports do not include budget, schedule, and narrative reports comparing actual progress and status to established project milestones. The Monthly Progress Report should also include a discussion of projected upcoming activities.

PMT will combine the format for its monthly PHELT meetings with the Justice Center monthly status report format and will begin producing report documentation with the new format at the next PHELT meeting scheduled on November 22, 2000.

Document Management System

OCA recommends PMT establishes a more fully developed document management system. OCA is willing to assist in this effort.

PMT proposes to use the standard Seattle Center (file index system) format and barrientos, LLC, will change their file system to match. PMT welcomes OCA comments regarding changes and additions to this system.

November 20, 2000 OCA Memo - Subject: PHELT Meeting Minutes Format

In response to PMT’s request for an example of a preferred meeting minute format, OCA prepared a sample that utilizes the current PHELT meeting minutes format with some minor formatting revisions and additions of key information. As the project enters the construction phase, the new meeting minute format will be helpful in tracking construction issues.

November 21, 2000 OCA Memo – Subject: Document Management System

In response to PMT’s request for OCA’s recommendation for one or more construction document management systems, OCA provided a copy of the document management software evaluations prepared by Patti Jones in 1998 for another client. In addition, OCA provided a reference document that outlined procedures for the establishment of a document management system including a detailed file index system for organizing the files.

Additional OCA Efforts

OCA is also providing a review of Contract Provisions including Schedule and Changes in Work in addition to a review of The GCCM Contract Division One. Upon review of these documents, OCA will make risk management recommendations to PMT.